

From: Rod Petersen [mailto:rodneyp@agrivantage.com]
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Subject: Corn Market

Volatility Continues – Higher Ending Stocks Expected in April 10th USDA Report

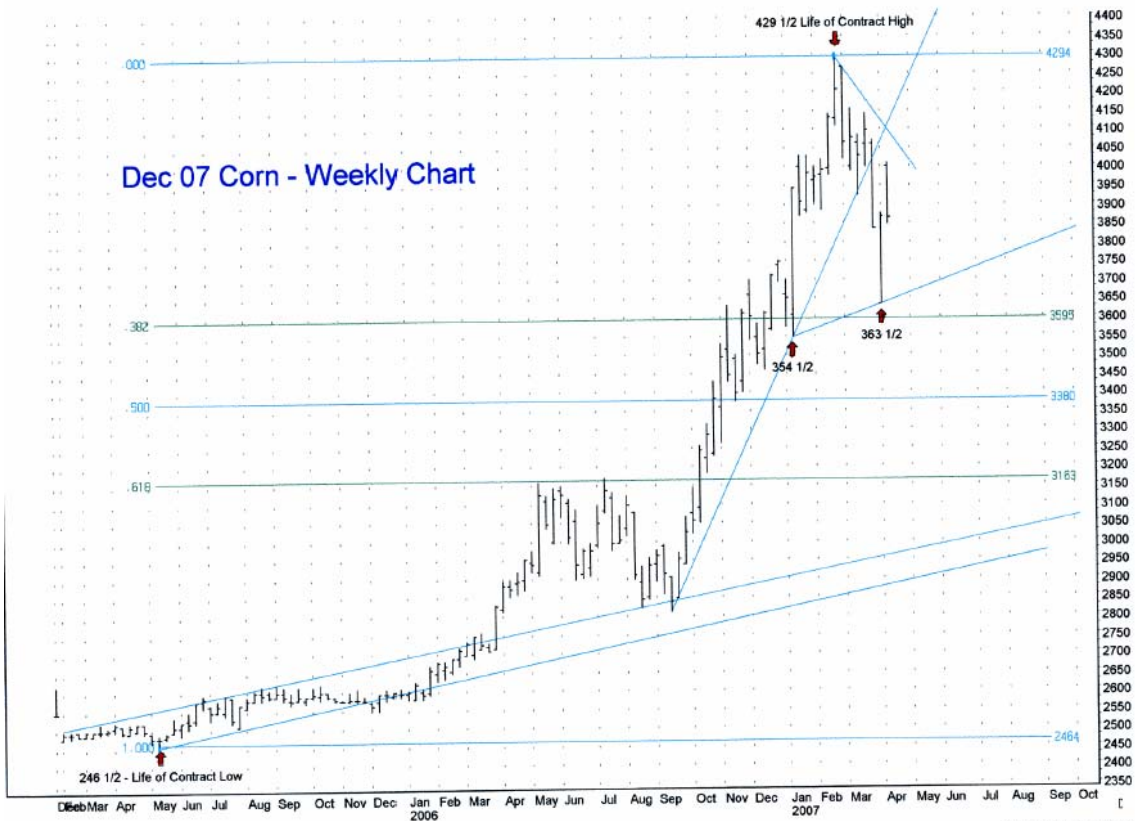
After the extended holiday weekend the corn market opened solidly higher on a cue from the overnight trade. Dec 07 corn opened 13 ¼ cents higher. Traders were focused on the hard freeze in wheat country which could significantly reduce wheat yields along with the 6-10 day outlook calling for cold and wet in the major corn belt growing region. Any sign of planting delays have traders thinking the additional 12 mln acres intended for corn acres will not materializeat least not without the potential for reduced yields. But when the corn market could not reach the overnight highs the market started to lose ground near mid-session and ended the day near the low end range of trade, closing down ¼ cent. The trade appeared to be concerned with the ending stocks number in tomorrow's USDA report. Average estimates are calling for a 90 mln bu increase in Sept 1st 2007 U.S. corn ending stocks, but ending stocks would still be very tight. Exports this morning were less than expected but still remain slightly above USDA's projections for this time of year.

The USDA Crop Conditions Report released this afternoon for winter wheat showed a 7% decrease in the good to excellent categories with a 2% increase in both the very poor and poor categories and a 3% increase in the fair as compared to last week. Pretty much as expected and still far improve over last years conditions. It could take another week or two before the frost damage is all accounted in the winter wheat areas.

The corn market appears to have made a short term bottom last week until at least the market has a better handle on planting progress. But we do not think the corn market can become too complacent yet or the intended 12 mln acre increase may not materialize unless Dec 07 corn closes back above the \$4 level. The attached weekly chart shows that support has been maintained just above a 38% retracement from the life of contract low to life of contract high. Stochastic are hinting higher prices should be expected and bulls need multiple closes back above the 10 day moving average found near 388 to keep the upside momentum alive. Closes above 404 ½ are needed in the Dec corn very quickly to get a shot at the life of contract high of 429 ½ before the planters begin to roll.

Recommendation: A weekly close below 383 ½ should now be viewed as a sell signal and Dec 07 380 puts should be purchased.

C7Z Weekly 04-13-07 Close: 3864 Net: -2 High: 4010 Low: 3846 Open: 4000 Volume: 117 OpenInt: 413923



C7Z Weekly 04-13-07

Chart by Ensign Software
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